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# **Religious affiliation and economic development: a recent literature review**

**Anca Parmena Olimid**

## **Abstract**

This article provides an overview of the recent literature relevant to the study of the relation between economics and religion. The paper also appeals to the critical review on the implications of religious markets and church-state relation. The study argues that economic development depress religiosity. Subsequent comments will be linked to a much more comprehensive literature on the social and economic consequences of religious beliefs.

**Key words: religiosity, economic development, state, society**

## **Introduction**

The literature on religion and economics tends to fall into two categories: studies of particular countries with respect to the verdict against the “post-modernist” theory and preconceptions of authors arguing that economics and religion are combined in the intellectual community.

Nevertheless, the past ten years have a significant progress in the interpretation of how “the rhetoric-of-economics” and the “economic theology” represent a major recent intellectual development<sup>1</sup>. This paper begins with the

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<sup>1</sup> Gary M. Anderson, Mr. Smith and the Preachers: The Economics of Religion in the Wealth of Nations in “Journal of Political Economy”, Vol. 96, No. 5/1988, pp. 1066-1088 in Paul Oslington (ed.), *Economics and Religion*, Vol. I, Cheltenham, UK and Northampton, MA, USA: Edward Elgar, 2003, pp. 334-338.

discussion of the secular relation between religion and economic development as well as pointing towards some changes in the state-society relation particularly.

### **Economic personalism**

The starting point for any understanding of the recent literature is Adam Smith's economic theory. In his research, *Wealth of Nations* (1776), Smith explained the religious behavior in the context of "nonmarket exchange problems"<sup>2</sup>. Motivated by a multiple belief systems, Smith's theory was generally ignored by scientists. Two centuries later, modern economists distinguished a new topic by examining church attendance within the context of modern economics<sup>3</sup>.

Woodhead has applied Smith's hypothesis on religion on the study of church attendance among the Muslim women in Britain. This research gained significant attention with the public sphere becoming subject of focus when "debating whether religion still occupies a central role in the lives of some communities in Britain"<sup>4</sup>.

The data separated the religious patterns under the cultural or ethnic identity. This hypothesis became challenging especially for the Muslim community showing that the Muslim women have the highest rates for economic inactivity. Moreover, against many critics, the research discussed the social and religious participation of Muslim women providing a clear profile in terms of activity. The authors argue that the higher levels of economic inactivity among the Muslim communities are often associated with religious practice.

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<sup>2</sup> *Ibidem*, p. 336.

<sup>3</sup> Robert B. Ekelund, Jr., Robert F. Hébert, Robert D. Tollison. *The Marketplace of Christianity*. Cambridge, Mass.: The MIT Press, 2006, pp. 3-10.

<sup>4</sup> Linda Woodhead, *Because I'm worth: Religion and Women's Changing Lives in the West* in Kristin Aune, Sonya Sharma, Giselle Vincett, *Women and religion in the West: challenging secularization*, Aldershot, Burlington, c2008, pp. 160-170.

In their *Religion and economics: normative social theory*, Dean and Waterman<sup>5</sup> explained the relation between economics and religion as a combination of logical and epistemological issues raised by the normative social theory<sup>6</sup>. They argue that “even in secular societies religion may play some in the determination of normative social theory”<sup>7</sup>. Furthermore, “the most obvious policy goals of a secular society are related to the production and distribution of goods and services, so may economics”<sup>8</sup>.

The broader theory offered recently by Santelli generally examined the economic activity in the light of a theological perspective of human person. The research suggests a new direction making a distinction between “the moral ramification of economic activity” and the “economic development within the theological context of Christian moral concerns”. The focus of this new understanding includes:

- a. a new academic subdiscipline under the topic of “economic personalism”;
- b. a “nexus between the acting person’s experience, human value, dignity, and self-interests, on the one hand; and society, the experience of people acting with others as an extended social order, on the other”<sup>9</sup>.

Influenced by the theoretical framework of the economic personalism, Donohue-White *et al.* note that an analysis of theology and economics is a complicated project involving contrasts, comparisons and case studies. From a personalist perspective, the economic causality becomes more humanized focusing on the “centrality of the acting person”<sup>10</sup> in the context of the utilitarian social analysis. Subsequently, it is sufficient to observe the obstacle that personalism

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<sup>5</sup> James M. Dean, Anthony Michael C. Waterman, *Religion and economics: normative social theory*, Dordrecht, Kluwer Academic Publishers, 1999, pp. 3-6.

<sup>6</sup> *Ibidem*, p. 6.

<sup>7</sup> *Ibidem*, pp. 5-6.

<sup>8</sup> *Ibidem*.

<sup>9</sup> Anthony Santelli Jeffrey Sikkenga, Rev. Robert A. Sirico *et al.*, *The free person and the free economy: a personalist view of market economics*, Lanham, Md., Lexington Books, 2002, pp. 3-12.

<sup>10</sup> Patricia Donohue-White, Stephen J. Grabill, Christopher Westley, *Human nature and the discipline of economics: personalist anthropology and Economics Methodology*, Lanham, Md., Lexington Books, 2001, p. 71.

encounters in the neoclassical economic theory<sup>11</sup>. Moreover, Donohue-White *et al.* argue “economists raise the practical, but not unimportant issue, that they are trained as social scientist, not as theologians or philosophers”<sup>12</sup>.

To conclude her arguments, the author indicated that this kind of association between economics and religion appears in many others perspectives in the recent years. It is for this reason important to examine economic agents as human persons. Without being able to explain all the aspects of the ethical theory, the author emphasizes the human person in the context of “value-life” and the basic health: nutrition, sanity, safety etc. More to the problem of the value-religion, Donohue-White characterizes this value function as a common experience of everyone at some time becoming a ruling principle for most the daily decisions.

### **Problems of Methodology**

Advances in research theories and methodologies in the years 2000’s allowed social scientists to apply more frequently the extensive analysis to new topics in the relation economic performance – society development. These researches regard economic development as one direction of human development.

Prominent in the recent literature was research conducted by Evans and Kelley who established the link between national culture as a sufficient shared concept and a economic behavioral tendency. The authors appealed to various kinds of economic, political, historical, religious and cultural key data by using surveys showing the individual religious behavior of individuals in different periods of economic development.

Obviously, each of these analyses is subject to a particular challenge due to a set of shared values shared in a unique territory. Evans and Kelley argue: “by contrast, the alternative <<*big tools*>> hypotheses and a great deal of evidence suggest that national attachment is not weakening. Institutional differentiation

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<sup>11</sup> *Ibidem*, pp. 100-108.

<sup>12</sup> *Ibidem*, pp. 104-105.

among nation-states persists”<sup>13</sup>. Nevertheless, the authors also reported that the national arguments continue to exist as a key element for economic distribution.

More generally, a vast literature used methodologies and techniques to measure the religious behavior, including specific experiments in different countries or different social categorizes. Sharma observes that the recent theoretical contributions have not reached a consensus on “feminist dialogue” or “feminist theory”. In conclusion, Sharma found that classical empirical methods and survey research only “serve to marginalize women”<sup>14</sup>. This analysis is essentially historical and political-descriptive nature.

Likewise, Ginsburgh and Throsby obtained a larger cultural expenditure of the relationship between the regional culture and the subsequent economic changes. The author also observes four values of the marketplace that are affected by overall economic performance: the option value, the existence value, prestige value, the bequest value<sup>15</sup>.

National surveys of individual respondents’ cultural and economic perceptions were undertaken on a greater scale as part of Taylor’s *et al.* work over in the lives of African Americans for more than 20 years. The results of the survey mapped a four dimension report<sup>16</sup>:

1. *first*, the religious involvement related to church attendance and denomination;
2. *second*, the examination of the sociodemographic elements of the African American population;
3. *third*, the investigation of religion in specific subgroups;

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<sup>13</sup> M. D. R. Evans, Jonathan Kelley, *Australian economy and society 2002. Religion, morality and public policy in international perspective 1984-2002*, Sydney, The Federation Press, 2004, p. 293.

<sup>14</sup> Arvind Sharma, *Methodology in religious studies: the interface with women’s studies*, New York, State University of New York Press, 2002, p. 68.

<sup>15</sup> Victor Ginsburgh, C. D. Throsby, *Handbook of the economics of art and culture*, Vol. 1, Amsterdam, Elsevier, 2006, pp. 1130-1132.

<sup>16</sup> Robert Joseph Taylor, Linda M. Chatters, Jeffrey S. Levin, *Religion in the lives of African American: social, psychological, and health perspectives*, London, Sage Publications, 2004, pp. 1-5.

4. *fourth*, the exploration of church support and use of ministers in response to personal difficulties.

Tuma argued that religion influences economic behavior. He also tends to associate religious predilections to noneconomic factors-political, social, religious, and cultural. Moreover, the author argues that measurement can be on one of the three levels: ordinal, interval and ratio scale known also as cardinal measurement<sup>17</sup>. The author also observes that the operations of comparison and combination are the fundamental criteria. He also states “although the trend in the social sciences, including economic history, has been toward quantification, quantified data need not be held a priori superior to qualitative data for all cases of historical analysis”<sup>18</sup>.

### **Capitalism and religion: the marketplace of piety**

In his 2002 Goodchild works on the nature of piety before contemporary European culture and reason. The author goes further by arguing that the global capitalism focuses on the market as a religion devoted to capital as the universal horizon. At least, he states “there is only a plurality of incompatible cultures, social structures, rationalities, moralities and beliefs”<sup>19</sup>.

While most social and political scientists admit a general correlation between religion and economics, the arguments of Alwin’s theory are still being argued. The author suggests new interpretations for the concepts of “satisficing” and “optimizing” behavior<sup>20</sup>. Most of his critics note that economic development is not limited to optimizing religious development.

A subsequent idea has played a key role in Douglas’s theory on the variables of the relation between economics and religion as a product of a specific situation of each community beyond the “ethics of capitalism”. Moreover, Douglas

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<sup>17</sup> Elias H. Tuma, *Economic history and social sciences: problems of methodology*, Los Angeles: University of California Press, 1971, p. 25.

<sup>18</sup> *Ibidem*, pp. 27-29.

<sup>19</sup> Philip Goodchild, *Capitalism and religion: the price of piety*, London, Routledge, 2002, p. 6-10.

<sup>20</sup> Duane Francis Alwin, *Margins of error: a study of reliability in survey measurement*, New Jersey, John Wiley & Sons, Inc., 2007, p. 19.

admits “the great merit of capitalism over the productive economic system and the moral justification of its defining institutions”<sup>21</sup>.

Lastly, Meyer argued that the relation between religion and politics cannot be without taking into account the new ethics of capitalism and the Christian mass culture. In his research, the author has made a distinction between the religious groups and movements in the context of the culture of neo-liberal capitalism<sup>22</sup>. The author claims that “we need to ground our understanding of contemporary religion in through ethnographic studies and broader comparisons”<sup>23</sup>.

An early study by Laurence R. Iannaccone (1998) emphasized the line of research that “interprets religious behavior from an economic perspective, applying microeconomic theory and techniques to explain patterns of religious behavior among individuals, groups and cultures”<sup>24</sup>. The study also emphasizes the importance of religious diversity and religious participation at the regional and cross-national level.

This idea has played a key role in Coleman’s subsequent theory. At one degree of detail, the author is simply expressing a macro level theory as a evidence that “the growth of this religious doctrine provided the value system”<sup>25</sup>. In this set of propositions, Coleman shows a way of representing system of the effects of religious doctrine on economic organization<sup>26</sup>:

- a. the generation of certain values among the protestant religious doctrine;
- b. individuals among this religious community adopt certain kinds of orientation to economic behavior;

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<sup>21</sup> John Douglas Bishop, *Ethics and capitalism*, Toronto, University of Toronto Press, 2000, pp. ix-xx.

<sup>22</sup> Birgit Meyer, *Religious Sensations: Why Media, Aesthetics and Power* in Hent de Vries, *Religion: beyond a concept*, New York, Fordham University Press, 2008, p. 721.

<sup>23</sup> *Ibidem*, p. 722.

<sup>24</sup> Laurence R. Iannaccone, *Introduction to the Economics of Religion*, Journal of Economic Literature, Vol. XXXVI (September 1998), pp. 1465-1496.

<sup>25</sup> James S. Coleman, *Foundations of social theory*, Cambridge, MA, Harvard University Press, 1994, p. 7.

<sup>26</sup> *Ibidem*, p. 8.



- c. certain orientations to economic behavior characterize the capitalist organization in a society.

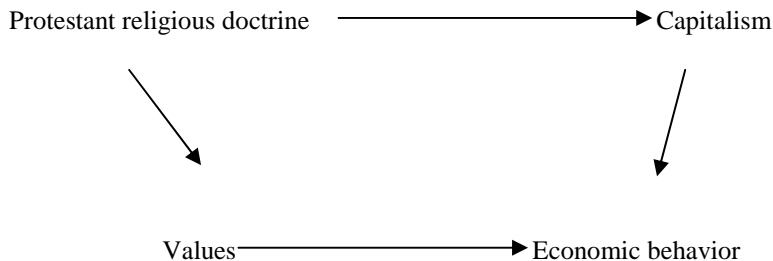


Figure 1: Macro- and micro-level propositions: effects of religious doctrine on economic organization<sup>27</sup>

In more recent research, Cohen argues it is a “correlational rather causal analyzes” to emphasize the religion’s independent effect on economy. He also notes that Weber addressed the same issue by arguing that “salvation doctrines” affected economy. Moreover, in Cohen’s theory, the effects are rather behavioral than cultural<sup>28</sup>.

An extension of Coleman’s arguments is defined by Stout and Hart. The authors show that indeed three factors are relevant for the tensions between the religious ideas and the economic behavior in American religious history:

1. the questions about religious motivation for working during the nineteenth century and the colonial period;
2. the technological innovations and global expansion of economic conditions during the twentieth century;
3. the reciprocal effects of religious commitment and economic growth in the last century.

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<sup>27</sup> *Ibidem*.

<sup>28</sup> Jere Cohen, *Protestantism and capitalism: the mechanisms of influence*, New York, Aldine de Gruyter, 2002, pp. 29-32.

With regard to other factors, Wuthnow and Scott suggest that “it is impossible in a brief review to take account to the full variety that has been conducted on the relationship” between the religious affiliation and economic behavior<sup>29</sup>.

In addition, Lehrer elaborated a theory emphasizing two ways in which the religious affiliations matters for demographic and economic performance:

1. first, the attendance to religious schools offering a high level of compatibility between the religious affiliation and the economic status
2. second, beyond the first argument, Lehrer associates time and effort allocated to religious practice to “crowd out time and effort that could be oriented to labor market activities”<sup>30</sup>.

The author also observed the literature’s findings on the effects of religiosity providing a consistent image of religious involvement<sup>31</sup>

Abundant literature affirms that religious beliefs can affect economic performance at the level of the individual and groups. Second, religious affiliation serves as the original base for the social cohesion. Furthermore, Ferrante outlines the role of religious beliefs played in the origins and development of modern capitalism. The author demonstrates that the examination of religion allows a sociological perspective. More importantly, Ferrante’s theory allows us respond to the inevitable problems of human condition. The author asserts that “the many uses to which religion are turned show that this commplex phenomenon cannot be discussed in isolation”<sup>32</sup>

These three lines of reasoning - religious affiliation, economic performance and social cohesion provide the fundamental version of the Heimbrock’s theory.

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<sup>29</sup> Robert Wuthnow, Tracy L. Scott, *Protestants and Economic Behavior* in Harry S. Stout, Darryl G. Hart, *New directions in American religious history*, New York, Oxford University Press, 1997, pp. 270-275.

<sup>30</sup> Evelyn L. Lehrer, *Religion, Economics and Democracy*, New York, Routledge, 2009, pp.220-240.

<sup>31</sup> *Ibidem*, p. 211.

<sup>32</sup> Joan Ferrante, *Sociology: a global perspective*, 7<sup>th</sup> edition, Northern Kentucky University, 2008, pp. 550-555.

More generally, the author found that among the factors that contribute to social cohesion is a common local identity clearly contributing to regulating the individual behavior<sup>33</sup>. Subsequent studies have developed a more influent analysis noting the religious context is “a combination of time and space, which means ... that context can be visualized using a model with two axes, where the horizontal axis is space and where the vertical axis is time”<sup>34</sup>.

## Conclusions

The literature reviewed in this article describes the effects of religious affiliation on different economic, social and cultural behavior. Moreover, the recent literature seeks to find a *universal model of reciprocal influences* linking religious affiliation and economic development. Future works should pay more attention to the distinct patterns of religious and economic behavior for transition democracies, whatever the religious affiliation may be. Future studies should also explore the beneficial influences of several religious involvement in economic development.

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<sup>33</sup> Jeffrey R. Vincent, G. Sivalingam, *Economic Incentives for Cleaner Small and Medium Enterprises* in Allen Blackman, *Small firms and the environment in developing countries: collective impacts, collective action*, Washington DC, Resource for the Future, 2006, pp.110-116.

<sup>34</sup> Held-Günter Heimbrock, *Beyond Globalism and Relativism. Religious Education, Plurality and Life-world Orientation* in Hans-Günter Heimbrock, Christoph Scheilke, Peter Schreiner (eds.), *Toward religious competence: diversity as a challenge for education in Europe*, Munster, LIT, 2002, p. 58.